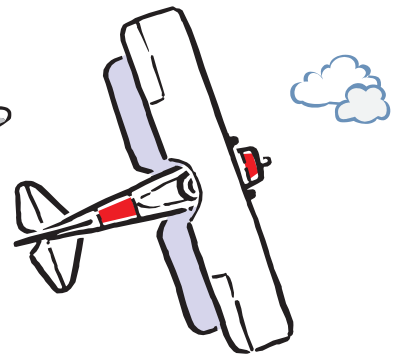


SCHOOL DISTRICT FLYER

Issue 34

A Newsletter of the Office of the Auditor General

March 2006



NEW ACCOUNTING GUIDELINES FOR VOCATIONAL EDUCATION



Arizona Revised Statutes §15-393, related to Joint Technological Education Districts (JTED), was amended by Laws 2005, Ch. 294 to include new requirements for the use of JTED monies. The amendment has resulted

in some new guidelines for recording vocational education expenditures **for all districts**. For fiscal year 2006 and thereafter, all districts, including non-JTED districts, must specifically identify vocational education expenditures by using program code 270-Vocational and Technological Education. JTED member districts must also account for the monies received from a JTED in a separate fund. By identifying vocational education expenditures separately, member districts can determine if supplanting has occurred, and nonmember districts will be able to more easily identify their base year expenditures should they join a JTED in the future.

Additionally, JTED member districts are required to use JTED monies to supplement rather than supplant vocational education courses provided in the base year, which by statute is the year in which the district's voters approved joining a JTED. Supplanting occurs when funding from one source is used to replace funding from another source. USFR Memorandum No. 219 includes specific guidance for determining base and current-year non-JTED expenditures, including special guidance for capital expenditures for land, buildings, furniture, equipment, and vehicles, and a work sheet to assist member districts and their audit firm in determining the appearance of supplant-

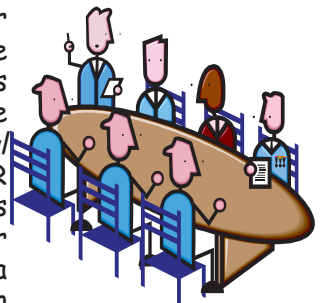


ing. If, based on the work sheet, there is an appearance of supplanting, the district may provide additional specific financial or curriculum-related information to its audit firm. The district's audit firm should review documentation related to the impact of district specific situations before determining if the district actually used JTED monies to supplant non-JTED monies for vocational education in the current year. For more details, please see the USFR Memorandum.

A special thanks to all of the JTEDs, member districts, and the Auditor General's School Finance Advisory Committee members who provided input on this memorandum.

WHAT IS THE SCHOOL FINANCE ADVISORY COMMITTEE?

The Office of the Auditor General's School Finance Advisory Committee reviews proposed revisions to the *Uniform System of Financial Records* (USFR) and USFR Memorandums, and makes recommendations to our Office and the Arizona Department of Education



(ADE) on current issues—most recently, the JTED supplanting guidance. Another issue for future consideration by the Committee is revisions to the USFR Chart of Accounts for changes in the federal chart published by the National Center for Education Statistics.

The Committee is composed of 15 members who represent a cross section of school districts and education organizations appointed by the Office of the Auditor General and ADE; Arizona School Administrators, Inc.; Arizona Association of School Business Officials; Association of County School Superintendents; and the Arizona School Board's Association. Current members will serve through 2007. Please contact the Office's Accounting Services Division if you would like a list of members.

NSLP REPORTS RELEASED



As directed by the Joint Legislative Audit Committee, the Office of the Auditor General has prepared two reports on Arizona's participation in the National School Lunch Program (NSLP). The first NSLP report provides descriptive information on program characteristics, such as the number and percentage of the total school population determined eligible for free and reduced-price meals and historical participation trends. It also describes the criteria and process for determining program eligibility and for required income verification activities. Finally, the report summarizes conclusions and recommendations regarding state-wide program operation.

The second NSLP report provides the results of 100 percent eligibility verification testing at a sample of seven Arizona schools. It also presents those schools' program eligibility and participation rates, resources used to operate the program, and outreach efforts to inform families about the program. Both reports are available on our Web site.

UPDATE ON MILEAGE REIMBURSEMENT

USFR Memorandum No. 217 informed districts that the Arizona Department of Administration (ADOA) increased the mileage reimbursement rate for privately owned motor vehicles, effective September 28, 2005. The rate increased from 37.5 cents per mile to 40.5 cents per mile for district employees and governing board members. The current federal rate is 44.5 cents per mile. However, ADOA does not plan on recommending changes to its current mileage reimbursement rate of 40.5 cents per mile until next fiscal year. Districts must use the ADOA established rate. For all other reimbursement rates, districts should continue to refer to USFR Memorandum No. 210-Reimbursement of Travel Expenses.



NEW WEB ADDRESS

The Office has recently updated our Web site and e-mail addresses. The updated Web site address is www.azauditor.gov, and all Office e-mail addresses now end in the azauditor.gov extension (for example, John Doe will be jdoe@azauditor.gov). This change brings our addresses more in line with the convention being used by other state agencies and should be easier to remember.



QUESTION & ANSWER



Question: Can a school district follow School District Procurement Rule R7-2-1131 for disposing of equipment purchased with E-rate monies?

Answer: No. According to the Universal Service Administrative Company's

Schools and Library Division, which administers the E-rate program, the E-rate equipment disposal policy does not allow equipment purchased with E-rate monies to be sold or resold. Equipment may be transferred to another E-rate-eligible entity if 3 years have passed since the purchase, as long as there is no exchange of money or anything of value. If a transfer is not an option and the equipment to be disposed of is determined to be obsolete, the district must destroy the equipment and retain documentation of the equipment's obsolescence.

USFR MEMORANDUM UPDATE

Since our last newsletter, we issued seven USFR Memorandums (Nos. 214 through 220), as listed below:



Memo No. 214—Extracurricular Activities Fees Tax Credit

Memo No. 215—Fiscal Year 2004-05 Annual Financial Report (AFR), and Classroom Site Fund (CSF) and Full-Day Kindergarten Fund Reporting Forms

Memo No. 216—School District Audits

Memo No. 217—Mileage Reimbursement

Memo No. 218—Joint Technological Education District (JTED) Average Daily Membership and Attendance Requirements

Memo No. 219—Guidance on Determining Supplanting for Joint Technological Education District (JTED) Members

Memo No. 220—Technology Assisted Project-Based Instruction Program (Distance Learning)

If you need a copy of these or any other current USFR Memorandums, please visit our Web site at www.azauditor.gov/manuals_schooldistrict.htm or call the Office's Accounting Services Division at (602) 553-0333.